

Message Text

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PAGE 01 SINGAP 00365 270806Z

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 OMB-01

SAJ-01 IO-13 EB-08 COME-00 TRSE-00 AID-05 /083 W

-----270939Z 062952 /12

R 270705Z JAN 77

FM AMEMBASSY SINGAPORE

TO AMEMBASSY MANILA

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

SECSTATE WASHDC 6995

C O N F I D E N T I A L SINGAPORE 0365

E.O. 11652: GDS

TAGS: EGEN, ETRD, EINV, ASEAN, EC, JA, US, CP

SUBJECT: CONCERN OF PRESIDENT MARCOS AND SINGAPORE PRIME MINISTER LEE
OVER USG RESTRICTIONS ON FOREIGN INVESTMENT

REF: (A) MANILA 1228 (NOTAL), (B) 76 SINGAPORE

5549

1. EMBASSY OFFICERS USED OPPORTUNITY AFFORDED BY JANUARY 26
CONVERSATION WITH NGIAM TONG DOW, PERMSEC IN GOS MINISTRY OF
FINANCE, TO ASCERTAIN EXACTLY WHAT GOS AND OTHER ASEAN LEADERS
HAD IN MIND IN MAKING REPEATED CALLS FOR PRESERVATION OF "THE
PRESENT SYSTEM OF TAX DEFERRAL FOR AMERICAN INVESTMENT". NGIAM
CONFIRMED OUR EARLIER SPECULATION (PARA 8, REF B) THAT LEE KUAN
YEW IS CONCERNED OVER POSSIBILITY THAT OUR TAX LAWS MIGHT
BE AMENDED TO LIMIT ABILITY OF AMERICAN FIRMS TO DEFER U.S. TAX
LIABILITY ON OVERSEAS EARNINGS UNTIL THESE ARE REPATRIATED TO
THE U.S.

2. NGIAM, GOS REP ON ASEAN INDUSTRY AND TRADE

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COMMITTEES, NOTED THAT TAX REFORM ACT OF 1976 DID NOT
AFFECT TAX DEFERRAL PROVISIONS OF EXISTING LEGISLATION.
HOWEVER, GOS FEARED THAT LEGISLATION CIRCUMSCRIBING OR
EVEN ELIMINATING SUCH DEFERRALS, WHICH HAD FAILED ENACT-
MENT IN LAST SESSION OF CONGRESS, COULD BE REINTRODUCED
IN THE CURRENT SESSION. LACKING THE ABILITY TO INFLU-
ENCE THE CONGRESS, THE GOS AND ASEAN HOPE TO GAIN SUPPORT

FOR THEIR POSITION WITHIN THE EXECUTIVE BRANCH. NGIAM SAID THAT LEE'S AND THE GOS, POSITION ON THIS ISSUE STEMS FROM A CONVICTION THAT ELIMINATION OR REDUCTION OF SUCH TAX DEFERRALS WOULD HAVE A DELETERIOUS EFFECT ON FUTURE AMERICAN INVESTMENT FLOWS INTO ASEAN. MOREOVER, SUCH A CHANGE WOULD NEGATE, IN WHOLE OR IN PART, THE TAX CONCESSIONS (PIONEER STATUS, ETC.) ENJOYED BY FOREIGN FIRMS IN SINGAPORE AND ELSEWHERE.

3. NGIAM SAID THAT THE GOS IS ALSO CONCERNED ABOUT IMPACT OF THAT PROVISION OF THE TAX REFORM ACT OF 1976 WHICH REDUCED TAX BENEFITS OF U.S. BUSINESSMEN RESIDING OVERSEAS. IN A TONE OF RESIGNATION, NGIAM SAID THAT THIS CUT IN TAX BENEFITS IS NOW A FACT OF LIFE AND WILL HAVE TO BE ENDURED ALTHOUGH AMERICAN BUSINESSMEN (HE WAS CLEARLY REFERRING TO APCAC AND LOCAL AMERICAN BUSINESS COUNCIL EFFORTS) ARE STILL DOING BATTLE. IN RESPONSE, EMBASSY OFFICERS OBSERVED THAT USG IS ALWAYS PREPARED TO TAKE LEGITIMATE CONCERNS OF FRIENDLY FOREIGN COUNTRIES REGARDING U.S. TAX LEGISLATION INTO CONSIDERATION. WE ALSO NOTED THAT TAX LAWS ARE NOT IMMUTABLE. IN THIS CONNECTION, WE CITED RECENT INTRODUCTION BY SENATOR BARTLETT OF LEGISLATION WHICH WOULD RESTORE TAX BENEFITS TO U.S. BUSINESSMEN RESIDING OVERSEAS WITHOUT, HOWEVER, SPECULATING AS TO OUTCOME OF LEGISLATIVE PROCESS.

HOLDRIDGE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENTS
Control Number: n/a
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Sent Date: 27-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977SINGAP00365
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770029-0651
Format: TEL
From: SINGAPORE
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770112/aaaaakkr.tel
Line Count: 88
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 MANILA 1228, 76 SINGAPORE 19
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3484179
Secure: OPEN
Status: NATIVE
Subject: CONCERN OF PRESIDENT MARCOS AND SINGAPORE PRIME MINISTER LEE OVER USG RESTRICTIONS ON FOREIGN INVESTMENT
TAGS: EGEN, ETRD, EINV, EC, JA, US, ASEAN, (LEE KUAN YEW), (MARCOS, FERDINAND),
To: MANILA
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/87ba38d0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009